

# HOUSE BILL No. 1325

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-4-30-8; IC 4-12; IC 6-3.1; IC 20-1-18.7; IC 22-4-18.1; IC 22-4.1.

**Synopsis:** State technology advancement and retention. Creates the state technology advancement and retention (STAR) account to advance technology and retain graduates in Indiana by funding a school to work tax credit, internship tax credit, statewide partnership fund, technology grants, minority training grants, apprenticeship grants, back home in Indiana grants, scientific instrument project, clean manufacturing income tax credit, clean coal technology research center, and smart Indiana school smart partnership grants.

**Effective:** Upon passage; July 1, 2004.

**Hasler**

January 15, 2004, read first time and referred to Committee on Technology, Research and Development.

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Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

## HOUSE BILL No. 1325

A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 4-4-30-8, AS ADDED BY P.L.159-2002,  
2       SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       JULY 1, 2004]: Sec. 8. (a) The coal technology research fund is  
4       established to provide money for the center for coal technology  
5       research and for the director to carry out the duties specified under this  
6       chapter. The budget agency shall administer the fund.

7       (b) The fund consists of the following:

8           (1) Money appropriated **or otherwise designated** by the general  
9           assembly.

10          (2) Gifts, grants, and bequests.

11       (c) The treasurer of state shall invest the money in the fund not  
12       currently needed to meet the obligations of the fund in the same  
13       manner as the treasurer may invest other public funds.

14       (d) Money in the fund at the end of a state fiscal year does not revert  
15       to the state general fund.

16       SECTION 2. IC 4-12-10-3, AS ADDED BY P.L.26-2001,  
17       SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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JULY 1, 2004]: Sec. 3. (a) The Indiana economic development partnership fund is established to provide grants for economic development initiatives that support the following:

(1) The establishment of regional technology **and entrepreneurship** centers for the creation of high technology companies **to support access to technology for existing businesses** and for the support of workforce development.

(2) The providing of leadership and technical support necessary for the centers' start-up operations and long term success.

(3) The expansion of the Purdue Technical Assistance Program **to other higher education institutions** in ten (10) geographic regions of Indiana.

(4) The creation of a rural/community economic development regional outreach program by Purdue University.

(5) The expansion of workforce development for high technology business development through the centers.

(b) The fund shall be administered by the budget agency. The fund consists of appropriations from the general assembly and gifts and grants to the fund, **including money received from the state technology advancement and retention account established by IC 4-12-12-1.**

(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested.

(d) The money in the fund at the end of a state fiscal year does not revert to the state general fund but remains in the fund to be used exclusively for the purposes of this chapter.

SECTION 3. IC 4-12-10-4, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 4. (a) The budget agency, after review by the budget committee, shall **enter into an agreement with the department of commerce** to do the following:

(1) Review, prioritize, and approve or disapprove proposals for centers.

(2) Create detailed application procedures and selection criteria for center proposals. These criteria may include the following:

(A) Geographical proximity to and partnership agreement with an Indiana public or private university.

(B) Proposed local contributions to the center.

(C) Minimum standards and features for the physical facilities of a center, including telecommunications infrastructure.

(D) The minimum support services, both technical and

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financial, that must be provided by the centers.

(E) Guidelines for selecting entities that may participate in the center.

(3) Develop performance measures and reporting requirements for the centers.

(4) Monitor the effectiveness of each center and report its findings to the governor, **the budget agency**, and the budget committee before October 1 of each even-numbered year.

~~(5) Contract with Purdue University for any staff support necessary for the budget agency to carry out this chapter.~~

~~(6)~~ (5) Approve a regional technology center only if the center agrees to do all of the following:

(A) Nurture the development and expansion of high technology ventures that have the potential to become high growth businesses.

(B) Increase high technology employment in Indiana.

(C) Stimulate the flow of new venture capital necessary to support the growth of high technology businesses in Indiana.

(D) Expand workforce education and training for highly skilled, high technology jobs.

(E) Affiliate with an Indiana public or private university and be located in close proximity to a university campus.

(F) Be a party to a written agreement among:

(i) the affiliated university;

(ii) the city or town in which the proposed center is located, or the county in which the proposed center is located if the center is not located in a city or town;

(iii) Purdue University, for technical and personnel training support; and

(iv) any other affiliated entities;

that outlines the responsibilities of each party.

(G) Establish a debt free physical structure designed to accommodate research and technology ventures.

(H) Provide support services, including business planning, management recruitment, legal services, securing of seed capital marketing, and mentor identification.

(I) Establish a commitment of local resources that is at least equal to the money provided from the fund for the physical facilities of the center.

(b) The ~~budget agency~~ **department of commerce** may not approve more than five (5) regional technology centers in any biennium.

**(c) The budget agency shall contract with Purdue University:**

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(1) for any support staff necessary for the budget agency to provide grants under section 3(a)(3) and 3(a)(4) of this chapter; and

(2) to provide services under section 7 of this chapter.

SECTION 4. IC 4-12-10-6, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 6. (a) If ~~the department of commerce approves~~ a center, ~~is approved by the budget agency~~, the budget agency shall allocate from available appropriations the money authorized to:

(1) subsidize construction or rehabilitation of the physical facilities; and

(2) cover operating costs, not to exceed two hundred fifty thousand dollars (\$250,000) each year, until the center is self-sustaining or has identified another source of operating money or the amount appropriated for this purpose is exhausted.

(b) Operating costs may not be supported by the fund for any center for more than four (4) years.

SECTION 5. IC 4-12-12 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: **Chapter 12. State Technology Advancement and Retention (STAR) Account**

**Sec. 1. The state technology advancement and retention (STAR) account is established within the state general fund. The purpose of the account is to provide funding for programs within Indiana that are designed to:**

(1) advance and retain technology related enterprises within Indiana; and

(2) train and retain students with an emphasis on technology.

**Sec. 2. The budget agency shall administer the STAR account.**

**Sec. 3. The account consists of money appropriated to the account by the general assembly and gifts and grants to the account.**

**Sec. 4. The treasurer of state shall invest the money in the account not currently needed to meet the obligations of the account in the same manner as other public funds may be invested.**

**Sec. 5. Money in the account at the end of a state fiscal year does not revert to the state general fund but remains in the account to be used for the purposes of this chapter.**

**Sec. 6. Money in the account is annually dedicated to the following:**

(1) The certified school to career program payroll credit under IC 6-3.1-29 and IC 22-4.1-8.

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(2) The certified internship program payroll credit under 6-3.1-25 and IC 22-4.1-7.

(3) The Indiana economic development partnership fund under IC 4-12-10.

(4) Minority training program grants under IC 22-4-18.1-11.

(5) Technology apprenticeship grants under IC 20-1-18.7.

(6) The back home in Indiana program under IC 22-4-18.1-12.

(7) The Indiana schools smart partnership under IC 22-4.1-9.

(8) The scientific instrument project within the department of education.

(9) The clean manufacturing income tax credit under IC 6-3.1-30.

(10) The coal technology research fund under IC 4-4-30-8.

**Sec. 7. Expenses for administering the account or any of the programs funded from the account may be taken from the account but may not exceed two percent (2%) of the balance in the account. The budget agency must approve administrative expenses taken from the account.**

SECTION 6. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

**Chapter 25. Certified Internship Program Payroll Credit**

**Sec. 1. As used in this chapter, "certified internship program" has the meaning set forth in IC 22-4.1-7-1.**

**Sec. 2. As used in this chapter, "department" means the department of state revenue.**

**Sec. 3. As used in this chapter, "employer" means any individual or type of organization, including the state and all political subdivisions, that employs at least one (1) individual other than a student employed through a certified internship program under IC 22-4.1-7.**

**Sec. 4. As used in this chapter, "pass through entity" means:**

(1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) a partnership;

(3) a limited liability company; or

(4) a limited liability partnership.

**Sec. 5. As used in this chapter, "payroll expenditures" means the wages paid by an employer to a student participating in a certified internship program under IC 22-4.1-7.**

**Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:**

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(1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);  
 (2) IC 6-5.5 (financial institutions tax); and  
 (3) IC 27-1-18-2 (insurance premiums tax);  
 as computed after the application of the credits that under  
 IC 6-3.1-1-2 are to be applied before the credit provided by this  
 chapter.

Sec. 7. As used in this chapter, "student" has the meaning set forth in IC 22-4.1-7-4.

Sec. 8. As used in this chapter, "taxpayer" means an employer that employs at least one (1) student through a certified internship program under IC 22-4.1-7.

Sec. 9. (a) This chapter applies to taxable years beginning after December 31, 2005.

(b) A taxpayer is entitled to a credit against the taxpayer's state tax liability for payroll expenditures paid by the taxpayer in the taxable year. To be eligible for the credit provided by this section, a taxpayer must pay payroll expenditures not later than the last day of the year immediately preceding the taxable year for which the taxpayer claims the credit.

(c) Subject to the limitations under section 13 of this chapter, the amount of the credit equals the taxpayer's payroll expenditures that are eligible for the credit under subsection (b) in the taxable year multiplied by twenty percent (20%).

Sec. 10. (a) If the amount determined under section 9(c) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is not entitled to a refund of any unused credit.

Sec. 11. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 12. To receive the credit provided by this chapter, a

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taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary to calculate the credit provided by this chapter.

Sec. 13. The department shall record the time of filing of each application for allowance of a credit under section 12 of this chapter and shall approve the applications if the applicant otherwise qualifies for a tax credit under this chapter in the chronological order in which the applications are filed. However, if an applicant for whom the department approves a credit fails to file the statement of proof of payment required under section 12 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year. In addition, the department may, if an applicant requests, approve an applicant's credit application, in whole or in part, for the succeeding state fiscal year.

SECTION 7. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

**Chapter 29. Certified School to Career Program Payroll Credit**

Sec. 1. As used in this chapter, "certified program" has the meaning set forth in IC 22-4.1-8-1.

Sec. 2. As used in this chapter, "participant" has the meaning set forth in IC 22-4.1-8-3.

Sec. 3. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 4. As used in this chapter, "payroll expenditures" means the base wages paid by an employer to a participant in a certified program plus the amount held in trust to be applied toward the participant's postsecondary education.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- (2) IC 6-5.5 (financial institutions tax); and
- (3) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this

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chapter.

Sec. 6. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for payroll expenditures made by the taxpayer in a state fiscal year.

(b) Subject to the limitations under subsection (c) and section 10 of this chapter, the amount of the credit equals the taxpayer's payroll expenditures in the state fiscal year for a participant multiplied by twenty percent (20%).

(c) The credit is limited to the first four hundred (400) hours of payroll expenditures per participant for each state fiscal year the participant is in the certified program, not to exceed three (3) years per participant.

Sec. 7. (a) If the amount determined under section 6(b) of this chapter for a taxpayer in a state fiscal year exceeds the taxpayer's state tax liability for the taxable year for which the taxpayer files a return claiming the credit allowed under this chapter, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is not entitled to a refund of any unused credit.

Sec. 8. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder, member, or partner of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, member, or partner is entitled.

Sec. 9. To receive a credit under this chapter, a taxpayer must submit an application to the department before September 1. The application must contain proof of payment of the payroll expenditures in the preceding state fiscal year and all information that the department determines is necessary to calculate the credit provided by this chapter.

Sec. 10. (a) The department shall record the time of filing of each application for allowance of a credit under section 9 of this chapter and shall approve the applications if the applicant otherwise qualifies for a tax credit under this chapter in the chronological order in which the applications are filed. The

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department shall notify each applicant before December 1 of the department's approval or disapproval of the applicant's application.

(b) When the total credits approved under this section equal the maximum amount allowable in a state fiscal year, no application filed later for that same fiscal year may be approved. However, if an applicant for whom a credit has been approved fails to claim a credit on the taxpayer's tax return as required under section 11 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year.

Sec. 11. A taxpayer whose application is approved under section 10 of this chapter may claim the credit on the taxpayer's annual state tax return in the manner prescribed by the department.

Sec. 12. The credit provided by this chapter applies to payroll expenditures made in a state fiscal year beginning after June 30, 2005.

SECTION 8. IC 6-3.1-30 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

**Chapter 30. Clean Manufacturing Income Tax Credit**

Sec. 1. As used in this chapter, "board" refers to the clean manufacturing income tax credit board established by section 12 of this chapter.

Sec. 2. As used in this chapter, "clean manufacturing" has the meaning set forth in IC 13-11-2-27.6.

Sec. 3. As used in this chapter, "clean manufacturing investment" means an expenditure for any of the following:

(1) Production process redesign (as defined in IC 13-27.5-3-2(2)(C)).

(2) Operational improvement (as defined in IC 13-27.5-3-2(2)(D)).

Sec. 4. As used in this chapter, "environmental waste" has the meaning set forth in IC 13-11-2-72.

Sec. 5. As used in this chapter, "institute" refers to the Indiana clean manufacturing technology and safe materials institute established under IC 13-27.5-2.

Sec. 6. As used in this chapter, "manufacturing facility" means a facility of a manufacturer (as defined in IC 13-11-2-126(b)).

Sec. 7. As used in this chapter, "material substitution" means:

(1) an input change (as defined in IC 13-27.5-3-2(2)(A)); or

(2) a product reformulation (as defined in

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IC 13-27.5-3-2(2)(B)).

Sec. 8. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 9. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax) as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 10. As used in this chapter, "taxpayer" means any individual, corporation, limited liability company, partnership, or other entity that:

- (1) has any state tax liability; and
- (2) operates at least one (1) manufacturing facility in Indiana under standard industrial classification codes 31 through 33 in the NAICS manual (as defined in IC 4-4-11.5-8.5).

Sec. 11. (a) As used in this chapter, "toxic material" has the meaning set forth in IC 13-11-2-233.

(b) For purposes of this chapter, the list of toxic materials may be updated periodically by the institute in consultation with the commissioner of the department of environmental management based on information provided by:

- (1) the United States Environmental Protection Agency;
- (2) a professional industrial hygiene association; or
- (3) the United States Occupational Safety and Health Administration.

Sec. 12. (a) The clean manufacturing income tax credit board is established. The board consists of the following six (6) members:

- (1) The director of the institute or the director's designee.
- (2) The commissioner of the department of environmental management or the commissioner's designee.
- (3) The director of the department of commerce or the director's designee.
- (4) The director of the budget agency or the director's designee.
- (5) The commissioner of the department of state revenue or the commissioner's designee.
- (6) The chairperson of the clean manufacturing technology board or the chairperson's designee.

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(b) The director of the department of commerce or the director's designee shall serve as chairperson of the board. Four (4) members of the board constitute a quorum to transact and vote on the business of the board. The board may take official action upon the affirmative vote of a majority of the members present and voting.

(c) The institute shall assist the board in carrying out the board's duties under this chapter.

(d) Each member of the board is entitled to reimbursement for traveling expenses as provided in IC 4-13-1-4 and other expenses actually incurred in connection with the member's duties as provided in the state policies and procedures established by the Indiana department of administration and approved by the budget agency.

Sec. 13. The board may award credits under this chapter to foster clean manufacturing at manufacturing facilities in Indiana.

Sec. 14. (a) Subject to the conditions set forth in this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in a taxable year beginning after December 31, 2004, if the taxpayer is awarded a credit by the board under this chapter for the taxable year in which the institute verifies either or both of the following:

(1) A qualified material substitution expense.

(2) A qualified clean manufacturing investment.

(b) Subject to sections 19(5) and 20(8) of this chapter, a credit awarded to a taxpayer under subsection (a) is limited to one (1) qualified material substitution expense and one (1) qualified clean manufacturing investment for each taxable year.

(c) The taxpayer must certify that a material substitution expense or a clean manufacturing investment for which a credit is awarded to a taxpayer under subsection (a) is:

(1) initiated voluntarily by the taxpayer; and

(2) not the result of an enforcement action, a negotiated settlement, or an order of a federal or state agency or court.

Sec. 15. (a) The maximum amount of the material substitution expense credit to which a taxpayer is entitled in a taxable year is equal to:

(1) the certified additional cost of purchasing a qualified material that is substituted for a toxic material; multiplied by

(2) thirty percent (30%).

(b) The maximum amount of the clean manufacturing investment credit to which a taxpayer is entitled in a taxable year

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is equal to the amount determined under STEP THREE of the following formula:

**STEP ONE: Determine the certified cost of the qualified clean manufacturing investment.**

**STEP TWO: Multiply the STEP ONE amount by thirty percent (30%).**

**STEP THREE: Multiply the STEP TWO result by one (1) of the following, as specified by the taxpayer:**

**(A) The certified percentage by which the use of a toxic material is reduced by means of the clean manufacturing investment.**

**(B) The certified percentage by which the generation of an environmental waste is reduced by means of the clean manufacturing investment.**

The taxpayer is eligible for the credit in the taxable year in which the production process redesign or operational improvement that forms the basis of the clean manufacturing investment first produces verifiable reductions in the use of toxic materials or the generation of environmental waste.

**Sec. 16. (a)** Except as provided in subsection (b), a taxpayer is not entitled to carry forward, carry back, or a refund of an unused credit.

**(b)** If the amount of a clean manufacturing investment credit or a material substitution expense credit for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to not more than two (2) taxable years. The amount of the credit carryover from a taxable year must be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for a subsequent taxable year.

**Sec. 17.** If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

**(1)** the tax credit determined for the pass through entity for the taxable year; multiplied by

**(2)** the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

**Sec. 18.** To be entitled to a credit under this chapter, a taxpayer must do the following:

**(1)** Make an expenditure for a qualifying activity.

**(2)** Request that the board certify:

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- (A) the eligibility of the taxpayer for the credit;
- (B) a description of the activity or expense that is eligible for the credit;
- (C) the amount of the expenditure that is eligible for the credit; and
- (D) for a clean manufacturing investment credit, the percentage of:

- (i) environmental waste; or
- (ii) a toxic material;

reduced by means of the clean manufacturing investment; on forms and in the manner provided by this chapter.

(3) Claim the credit under section 21 of this chapter.

(4) Be allotted a share of the maximum statewide credit under section 23 of this chapter.

(5) Pay the institute an administrative fee established by the institute.

**Sec. 19. The board shall certify that a taxpayer's expenditure is a qualified material substitution expense if the board determines that:**

(1) before making the material substitution, the taxpayer obtained a verification from the institute that:

- (A) the material substitution is nontoxic or less toxic than the toxic material;
- (B) the expenditure will reduce the use of the toxic material based on a measurement of the toxicity and amount of the toxic material reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines established by the institute; and
- (C) estimates the additional cost the taxpayer will incur to use a substitute material for the toxic material;

(2) the taxpayer made expenditures for the material substitution;

(3) the expenditures directly result from the additional costs of substituting a material for a toxic material in a specific production process at a manufacturing facility;

(4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in consultation with the institute;

(5) the taxpayer has not received a certification under this section for the same material substitution project;

(6) the taxpayer pays the institute the administrative fee specified under section 18 of this chapter; and

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(7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary to:

(A) calculate the qualified material substitution expense credit provided by this chapter; and

(B) determine whether an expenditure is a qualified material substitution expense.

**Sec. 20.** The board shall certify that a taxpayer's expenditure is a qualified clean manufacturing investment if the board determines that:

(1) before the taxpayer implements a production process redesign or an operational improvement, the taxpayer obtains a verification from the institute that:

(A) the expenditure will reduce the use of a toxic material or reduce an environmental waste;

(B) estimates the percentage of reduction in the use of a toxic material or generation of environmental waste by means of clean manufacturing that will result; and

(C) estimates the cost the taxpayer will incur to implement production process redesign or operational improvement that will reduce:

(i) the use of a toxic material; or

(ii) the generation of an environmental waste;

based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines set by the institute;

(2) the taxpayer makes expenditures for the clean manufacturing investment;

(3) the expenditures directly result from the production process redesign or operational improvement that:

(A) are directly used in a specific production process at a manufacturing facility; and

(B) reduce by means of a clean manufacturing investment:

(i) the use of a toxic material; or

(ii) the generation of an environmental waste;

as determined under the guidelines developed by the institute, which must be based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7;

(4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in

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consultation with the institute after equipment related to the production process redesign or operational improvement at a manufacturing facility has become operational;

(5) the institute verifies the qualified percentage by which the use of a toxic material or by which the generation of an environmental waste has been reduced at an industrial facility by means of a clean manufacturing investment;

(6) the taxpayer pays the institute the administrative fee specified under section 18 of this chapter;

(7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary for:

(A) the calculation of the clean manufacturing investment credit expense provided by this chapter; and

(B) the determination of whether an expenditure is a qualified clean manufacturing investment; and

(8) the taxpayer has not received a certification under this section for the same clean manufacturing investment.

**Sec. 21.** A taxpayer claiming a credit under this chapter shall submit to the department of state revenue a copy of the certification of credit by the board under this chapter for the taxable year. However, failure to submit a copy of the certification does not invalidate a claim for credit.

**Sec. 22.** The board may audit any of the information required under this chapter to claim a credit.

**Sec. 23. (a)** The amount of a tax credit for a single taxpayer allowed under this chapter may not exceed twelve thousand dollars (\$12,000) in a taxable year.

**(b)** The total amount of tax credits approved under this chapter in a state fiscal year may not exceed six million dollars (\$6,000,000).

**(c)** The board shall record the time of filing of each application for allowance of a credit under this chapter and shall approve the applications if the applications otherwise qualify for a tax credit under this chapter in the chronological order in which the applications are filed in the state fiscal year.

**(d)** When the total credits approved under this section equal the maximum amount allowable in a state fiscal year, an application thereafter filed for that same fiscal year may not be approved. However, if an application is received by the board after the maximum allowable credits have been awarded for the state fiscal year, the board may review the application for credit in a subsequent state fiscal year up to the total maximum amount of the

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1 credit allowable. The review of applications for credit in a  
 2 subsequent state fiscal year shall be made in the order in which the  
 3 applications are received by the institute.

4 SECTION 9. IC 20-1-18.7 IS ADDED TO THE INDIANA CODE  
 5 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 6 JULY 1, 2004]: **Chapter 18.7. Technology Apprenticeship Grants**

7 **Sec. 1.** As used in this chapter, "department" refers to the  
 8 department of education established by IC 20-1-1.1-2.

9 **Sec. 2.** As used in this chapter, "program" refers to the  
 10 technology apprenticeship grant program established by section 3  
 11 of this chapter.

12 **Sec. 3.** The technology apprenticeship grant program is  
 13 established. The department, with the advice of the department of  
 14 labor established by IC 22-1-1-1, shall administer the program.

15 **Sec. 4.** The department, working with the department of labor,  
 16 shall develop a grant program to provide grants from the state  
 17 technology advancement and retention account established by  
 18 IC 4-12-12-1 for apprenticeships that are designed to develop the  
 19 skills of apprentices in the area of technology.

20 **Sec. 5.** The department, with the department of labor, shall  
 21 develop standards for the issuance of grants to businesses and  
 22 unions that are working to enhance the technology skills of  
 23 apprentices.

24 SECTION 10. IC 22-4-18.1-3 IS AMENDED TO READ AS  
 25 FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 3. The state human  
 26 resource investment council is established pursuant to 29 U.S.C. 1501  
 27 et seq. to do the following:

28 (1) Review the services and use of funds and resources under  
 29 applicable federal programs and advise the governor on methods  
 30 of coordinating the services and use of funds and resources  
 31 consistent with the laws and regulations governing the particular  
 32 applicable federal programs.

33 (2) Advise the governor on:

34 (A) the development and implementation of state and local  
 35 standards and measures; and

36 (B) the coordination of the standards and measures;  
 37 concerning the applicable federal programs.

38 (3) Perform the duties as set forth in federal law of the particular  
 39 advisory bodies for applicable federal programs described in  
 40 section 4 of this chapter.

41 (4) Identify the human investment needs in Indiana and  
 42 recommend to the governor goals to meet the investment needs.

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(5) Recommend to the governor goals for the development and coordination of the human resource system in Indiana.

(6) Prepare and recommend to the governor a strategic plan to accomplish the goals developed under subdivisions (4) and (5).

(7) Monitor the implementation of and evaluate the effectiveness of the strategic plan described in subdivision (6).

(8) Advise the governor on the coordination of federal, state, and local education and training programs and on the allocation of state and federal funds in Indiana to promote effective services, service delivery, and innovative programs.

**(9) Administer the minority training grant program established by section 11 of this chapter.**

**(10) Administer the back home in Indiana program established by section 12 of this chapter.**

(11) Any other function assigned to the council by the governor with regard to the study and evaluation of Indiana's human service delivery system.

SECTION 11. IC 22-4-18.1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 4. (a) The council shall serve as the state advisory body required under the following federal laws:

(1) The ~~Job Training Partnership Act under 29 U.S.C. 1501 et seq.~~ **Workforce Investment Act of 1998 under 29 U.S.C. 2801 et seq.**

(2) The Wagner-Peyser Act under 29 U.S.C. 49 et seq.

(3) The Carl D. Perkins Vocational and Applied Technology Act under 20 U.S.C. 2301 et seq.

(4) The Adult Education **and Family Literacy** Act under 20 U.S.C. ~~1201~~ **9201** et seq.

(b) In addition, the council may be designated to serve as the state advisory body required under any of the following federal laws upon approval of the particular state agency directed to administer the particular federal law:

(1) The National and Community Service Act of 1990 under 42 U.S.C. 12501 et seq.

(2) Part ~~F A~~ of Title IV of the Social Security Act under 42 U.S.C. ~~681~~ **601** et seq.

(3) The employment and training program established under the Food Stamp Act of 1977 under 7 U.S.C. ~~2015(d)(4)~~ **2015**.

**(c) The council shall administer the minority training grant program established by section 11 of this chapter and the back home in Indiana program established by section 12 of this chapter.**

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SECTION 12. IC 22-4-18.1-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 7. (a) Except as provided in subsections (b) and (c) and subject to the approval of the commissioner of workforce development, the state personnel department, and the budget agency, the council may employ professional, technical, and clerical personnel necessary to carry out the duties imposed by this chapter from funds available under applicable federal and state programs, appropriations by the general assembly for this purpose, **funds in the state technology advancement and retention account established by IC 4-12-12-1**, and any other funds (other than federal funds) available to the council for this purpose.

(b) Subject to the approval of the commissioner of workforce development and the budget agency, the council may contract for services necessary to implement this chapter.

(c) The budget agency shall serve as the fiscal agent for the distribution of all funds of the council.

SECTION 13. IC 22-4-18.1-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 11. (a) **For purposes of this section, "minority student" means a student who is a member of at least one (1) of the following groups:**

- (1) blacks;
- (2) American Indians;
- (3) Hispanics;
- (4) Asian Americans; or
- (5) other similar racial groups.

(b) **The council shall develop a program to provide grants from the state technology advancement and retention account established by IC 4-12-12-1 for minority training programs for minority students. The grants must be used as follows:**

- (1) **Thirty-five percent (35%) for programs designed to enhance training in technology advancement for minority students.**
- (2) **Sixty-five percent (65%) for generalized training programs for minority students.**

(c) **The council shall adopt policies under which recipients may apply for and receive the grants.**

SECTION 14. IC 22-4-18.1-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 12. (a) **The council shall develop a program to provide for grants from the state technology**

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1 advancement and retention account established by IC 4-12-12-1 or  
 2 contracts to develop a back home in Indiana program. The  
 3 program must provide a system to track students who have  
 4 graduated from private and public colleges and universities in  
 5 Indiana. The program must include a means of periodically  
 6 contacting these graduates to inform them of job opportunities in  
 7 Indiana.

8 (b) The council shall work with the colleges and universities in  
 9 Indiana to develop the tracking system.

10 SECTION 15. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE  
 11 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 12 UPON PASSAGE]:

13 **Chapter 7. Certified Internship Programs**

14 **Sec. 1.** As used in this chapter, "certified internship program"  
 15 refers to an internship program that is certified by the department,  
 16 in consultation with the department of education, under section 5  
 17 of this chapter.

18 **Sec. 2.** As used in this chapter, "employer" has the meaning set  
 19 forth in IC 22-8-1.1-1.

20 **Sec. 3.** As used in this chapter, "institution of higher learning"  
 21 has the meaning set forth in IC 20-12-70-4.

22 **Sec. 4.** As used in this chapter, "student" means an individual  
 23 who is enrolled at an institution of higher learning on at least a  
 24 part-time basis.

25 **Sec. 5. (a)** An institution of higher learning that seeks  
 26 certification for an internship program under this chapter shall  
 27 submit an application for certification to the department on a form  
 28 prescribed by the department.

29 (b) The department, in consultation with the department of  
 30 education, shall certify an internship program under this chapter  
 31 if the program:

32 (1) is operated or administered by an institution of higher  
 33 learning or a department, school, or program within an  
 34 institution of higher learning;

35 (2) integrates a particular curriculum or course of study  
 36 offered at the institution of higher learning with career  
 37 internships provided by employers;

38 (3) places students in career internships provided by  
 39 employers;

40 (4) requires participating students to meet certain academic  
 41 standards established by rule by the department in  
 42 consultation with the department of education;

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(5) requires employers to provide to participating students the:

(A) supervision; and

(B) payroll and personnel services;

that the employers provide to their regular part-time employees;

(6) is designed to provide an internship experience that enriches and enhances the classroom experience of participating students;

(7) requires employers to comply with all state and federal laws pertaining to the workplace; and

(8) complies with any other requirement adopted by rule by the department after consultation with the department of education.

Sec. 6. A certified internship program may allow a student to participate in an internship at any time during the year, including the summer, as long as the student remains enrolled at the institution of higher learning that operates or administers the certified internship program.

Sec. 7. The department, in consultation with the department of education, may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 16. IC 22-4.1-8 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

#### **Chapter 8. Certified School to Career Programs**

Sec. 1. As used in this chapter, "certified program" means a school to career program approved by the department, in conjunction with the department of education, that is conducted under an agreement under this chapter and that:

(1) integrates a secondary school curriculum with private sector job training;

(2) places students in job internships; and

(3) is designed to continue into postsecondary education and to result in teaching new skills, adding value to the wage earning potential of participants and increasing their long term employability in Indiana.

Sec. 2. As used in this chapter, "institution of higher learning" has the meaning set forth under IC 20-12-70-4.

Sec. 3. As used in this chapter, "participant" means an individual who:

(1) is at least sixteen (16) years of age and less than

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1 twenty-four (24) years of age;

2 (2) is enrolled in a public or private secondary or  
3 postsecondary school; and

4 (3) participates in a certified program as part of the  
5 individual's secondary or postsecondary school education.

6 Sec. 4. As used in this chapter, "sponsor" means an individual,  
7 a person, an association, a committee, an organization, or other  
8 entity operating a certified program and in whose name the  
9 certified program is registered or approved.

10 Sec. 5. (a) The department shall do the following:

11 (1) Accept applications from entities interested in sponsoring  
12 certified programs on forms prescribed by the department.

13 (2) Investigate each applicant to determine the suitability of  
14 the applicant to sponsor a certified program.

15 (3) Impose an application fee in an amount sufficient to pay  
16 the costs incurred in processing the application and  
17 investigating the applicant.

18 (b) The department may adopt rules under IC 4-22-2 to  
19 administer this chapter.

20 Sec. 6. (a) The department of education shall review the  
21 secondary school curriculum component of each proposed certified  
22 program. The department may not approve a proposed certified  
23 program unless the department of education approves the  
24 applicant's proposed secondary school curriculum.

25 (b) Upon the request of the department, the department of  
26 education shall:

27 (1) consult with the department before the adoption of rules  
28 under section 5 of this chapter; and

29 (2) provide any other assistance to the department.

30 Sec. 7. The department may not approve a certified program  
31 unless the following requirements are met:

32 (1) The program must be conducted under a written plan  
33 embodying the terms and conditions of employment, job  
34 training, classroom instruction, and supervision of one (1) or  
35 more participants, subscribed to by a sponsor who has  
36 undertaken to carry out the certified program.

37 (2) The program must comply with all state and federal laws  
38 pertaining to the workplace.

39 (3) The certified program agreement must provide that the  
40 sponsor or an employer participating in the program in  
41 cooperation with the sponsor agrees to assign an employee to  
42 serve as a mentor for a participant. The mentor's occupation

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1 must be in the same career pathway as the career interests of  
2 the participant.

3 (4) The program must comply with any other requirement  
4 adopted by rule by the department.

5 Sec. 8. (a) A certified program must comply with the terms of a  
6 written agreement among the sponsor, each participant, and each  
7 cooperating employer. Except as provided in sections 9 and 10 of  
8 this chapter, each agreement must contain the following:

9 (1) The names and signatures of:

10 (A) the sponsor;

11 (B) the employer (if the employer is an entity other than  
12 the sponsor); and

13 (C) the participant and the participant's parent or  
14 guardian if the participant is a minor.

15 (2) A description of the career field in which the participant  
16 is to be trained and the beginning date and duration of the  
17 training.

18 (3) The employer's agreement to provide paid employment for  
19 the participant at a base wage that may not be less than the  
20 minimum wage prescribed by the federal Fair Labor  
21 Standards Act during the participant's junior and senior  
22 years in high school.

23 (4) The employer's agreement to assign an employee to serve  
24 as a mentor for a participant. The mentor's occupation must  
25 be in the same career pathway as the career interests of the  
26 participant.

27 (5) An agreement between the participant and employer  
28 concerning specified minimum academic standards that must  
29 be maintained throughout the participant's secondary  
30 education.

31 (6) The participant's agreement to work for the employer for  
32 at least two (2) years following the completion of the  
33 participant's secondary education.

34 (b) An agreement described in subsection (a)(6) may be  
35 modified to defer the participant's employment with the employer  
36 until after the participant completes an appropriate amount of  
37 postsecondary education as agreed to by the participant and the  
38 employer.

39 Sec. 9. (a) If a participant's desired career pathway requires  
40 postsecondary education, an agreement required under section 8  
41 of this chapter may be modified to include the following:

42 (1) The employer's agreement to provide paid employment for

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the participant at a base wage that may not be less than the minimum wage prescribed by the federal Fair Labor Standards Act during the participant's postsecondary education.

(2) An agreement that, in addition to the base wage paid to the participant, the employer shall pay an additional sum to be held in trust to be applied toward the participant's postsecondary education.

(3) The participant's agreement to work for the employer for at least two (2) years following the completion of the participant's postsecondary education.

(b) The additional amount described in subsection (a)(2) must not be less than an amount determined by the department to be sufficient to provide payment of tuition expenses toward completion of not more than two (2) academic years at an institution of higher learning. The amount shall be held in trust for the benefit of the participant under rules adopted by the department. Payment into a fund approved under the federal Employee Retirement Income Security Act of 1974 for the benefit of the participant satisfies this requirement. The approved fund must be specified in the agreement.

Sec. 10. (a) If a participant enters a certified program following the completion of the participant's secondary education, an agreement required under section 8 of this chapter must be modified to include the following:

(1) The employer's agreement to provide paid employment for the participant at a base wage that may not be less than the minimum wage prescribed by the federal Fair Labor Standards Act during the participant's postsecondary education.

(2) An agreement that, in addition to the base wage paid to the participant, the employer shall pay an additional sum to be applied toward the participant's postsecondary education. This amount may be paid directly to the participant's institution of higher learning on behalf of the participant.

(3) The participant's agreement to work for the employer for at least two (2) years following the completion of the participant's postsecondary education.

(b) The additional amount described in subsection (a)(2) must not be less than an amount determined by the department to be sufficient to provide payment of tuition expenses toward completion of not more than two (2) academic years at an

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institution of higher learning.

Sec. 11. If a participant does not complete the certified program contemplated by the agreement before entering a postsecondary education program, the money being held in trust for the participant's postsecondary education must be paid back to the employer.

Sec. 12. If a participant does not complete the certified program contemplated by an agreement described in section 8, 9, or 10 of this chapter after entering a postsecondary education program, any unexpended funds being held in trust for the participant's postsecondary education must be paid back to the employer. In addition, the participant shall repay to the employer amounts paid from the trust that were expended on the participant's behalf for the participant's postsecondary education.

Sec. 13. If a participant does not complete the two (2) year employment obligation required under an agreement described in section 8, 9, or 10 of this chapter, the participant shall repay to the employer the amount paid by the employer toward the participant's postsecondary education expenses under this chapter.

SECTION 17. IC 22-4.1-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

#### Chapter 9. Smart Partnership Grants

Sec. 1. The department shall establish guidelines for making grants to the Indiana schools smart partnership, which is established to create partnerships between schools and local businesses to make the curricula of math and science relevant to students.

Sec. 2. The department may make grants from the state technology advancement and retention account established by IC 4-12-12-1 to coordinating organizations and participating schools.

SECTION 18. [EFFECTIVE UPON PASSAGE] (a) Notwithstanding IC 4-12-10, for the period beginning July 1, 2004, and ending June 30, 2005, grants of two hundred thousand dollars (\$200,000) shall be made from the Indian economic development partnership fund to the:

(1) East Central Indiana technology transfer program administered by Ball State University; and

(2) Southwestern Indiana technology transfer program administered by the University of Southern Indiana;

for their use in establishing and operating technology talent

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1 programs.

2 (b) This SECTION expires December 31, 2005.

3 SECTION 19. [EFFECTIVE JULY 1, 2004] The credit against a  
4 taxpayer's state tax liability provided under IC 6-3.1-25, as added  
5 by this act, applies to taxable years beginning after December 31,  
6 2005.

7 SECTION 20. [EFFECTIVE UPON PASSAGE] (a) As used in this  
8 SECTION, "department" refers to the department of workforce  
9 development.

10 (b) Notwithstanding IC 22-4.1-7-7, as added by this act, the  
11 department, in consultation with the department of education, shall  
12 adopt rules to implement IC 22-4.1-7, as added by this act, in the  
13 same manner as emergency rules are adopted under  
14 IC 4-22-2-37.1. Any rules adopted under this SECTION must be  
15 adopted not later than September 1, 2004. A rule adopted under  
16 this SECTION expires on the earlier of:

17 (1) the date a rule is adopted by the department, in  
18 consultation with the department of education, under  
19 IC 4-22-2-24 through IC 4-22-2-36 to implement IC 22-4.1-7,  
20 as added by this act; or

21 (2) January 1, 2006.

22 (c) Notwithstanding IC 6-3.1-25-9, as added by this act, the  
23 department may:

24 (1) certify an internship program under IC 22-4.1-7, as added  
25 by this act, with respect to which a taxpayer wishes to claim  
26 a credit under IC 6-3.1-25-9, as added by this act, for payroll  
27 expenditures made during a taxable year beginning before  
28 January 1, 2006, to a student participating in the internship  
29 program; and

30 (2) make the certification of the internship program under  
31 IC 22-4.1-7, as added by this act, effective as of a date before  
32 January 1, 2006.

33 (d) This SECTION expires December 31, 2007.

34 SECTION 21. [EFFECTIVE JULY 1, 2004] (a) The legislative  
35 council shall assign the clean manufacturing tax credit established  
36 under IC 6-3.1-30, as added by this act, for audit and evaluation  
37 under IC 2-5-21 during 2008.

38 (b) This SECTION expires July 1, 2009.

39 SECTION 22. [EFFECTIVE JULY 1, 2004] (a) The clean  
40 manufacturing income tax credit board established by  
41 IC 6-3.1-30-12, as added by this act, may not take action under  
42 IC 6-3.1-30, as added by this act, before January 1, 2006.

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1           (b) A taxpayer is entitled to a tax credit under IC 6-3.1-30, as  
 2       added by this act, for either:  
 3           (1) a qualified material substitution expense; or  
 4           (2) a qualified clean manufacturing investment;  
 5       or both, only to the extent that the qualified material substitution  
 6       expense is incurred after December 31, 2005, or the qualified clean  
 7       manufacturing investment is made after December 31, 2005.  
 8       SECTION 23. An emergency is declared for this act.

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